



An **Office of Retirement Services** Publication

Connections

March 2003, Vol. 6 No. 1

Our Mission

We deliver pensions, related benefits and services to promote the future financial security of our customers.

Our Vision

Fast, easy access to complete and accurate information and exceptional service.

In this issue

Financial Update	1
ORS Receives High Marks	1
Message From the Director	2
Electronic Funds Transfer Is Encouraged	2
Pension Paydates & Holidays	3
Notable Michigan Women	3
Financial Summary FY 2002	4

State Employees' Retirement System enters 2003 financially sound

This issue of *Connections* includes the financial summary of your retirement system for fiscal year 2002.

Although 2002 was a volatile year on Wall Street, the retirement system funds were well cared for over the course of the year. The financial summary can be found on page 4.

While the funds have not performed as well as they have in the past, the retirement system invests for the long run in both a responsible and prudent manner. Therefore, investments are made in a broad diversified group of assets. This strategy helps to limit losses during turbulent times. For example, while the stock market investments are down, the current bond and real estate investments are up.

The funded status of the system, as reported in the 2002 *Comprehensive Annual Financial Report* (CAFR), was 107.6 percent

on September 30, 2001. The funded status for September 30, 2002, that will be reported in the 2003 CAFR is estimated at 98.5 percent. The higher the percentage, the stronger the pension system. The calculation of this percentage is explained in detail in the financial section of the 2002 CAFR which can be found at www.michigan.gov/ors.

During fiscal year 2001-2002 the retirement system's net assets decreased to \$8.4 billion. The major sources of revenue were investment income and contributions. The major expenditures were benefit payments.

As of September 30, 2002, there were 39,666 retirees and beneficiaries receiving monthly benefits. Approximately 43,064 active employees were reported during fiscal year 2001-2002. Of these, about 35,062 have fully vested rights to their retirement benefits.

ORS receives high marks from its customers

The Office of Retirement Services (ORS) continues to receive high ratings for its service to its customers. In August 2002, we randomly selected 1,200 retirees and asked them how ORS is doing to meet their needs.

The survey results indicate that 94 percent of our retirees are satisfied with the level of service they receive from ORS. Although this is a positive rating, we are striving to do even better. By analyzing the results, we can identify what is being done well and where improvement is needed.

ORS began surveying retirees on a regular basis in January of 1997 to stay abreast of members' needs and expectations. We continue to randomly survey retirees throughout the year.

We always welcome your comments on how we are doing and what we can do to improve our services. So please, let us know how we are doing throughout the year as your feedback is important to us. Our contact information can be found on the bottom of page 2.

From the Director

One of the ways we find out how well we are serving you is to ask. In addition to surveying a random sample of our retiree population, we regularly survey our customers who recently contacted our office to track our progress.

The survey showed that the majority of respondents felt the services they obtained from our office either met or exceeded their expectations. We also learned of areas that need improvement, most noticeably issues of availability and timeliness. These concerns, which we share, were factors that motivated the overhaul of our business processes, known as the Vision ORS project.


In past *Connections* editions, I have told you about our Vision ORS plan. This project is a map to meet our vision of "fast, easy access to complete and accurate information and exceptional service." We are proud to announce that we have successfully completed the second of three stages of our Vision project on time.

The completion of Stage 2 resulted in an integrated software system. At this stage, the changes were mostly internal. We are confident, however, that the Stage 2 improvements and the upcoming changes that

will occur with the completion of the Vision plan will address the issues of availability and timeliness. Future surveys will let us know if you feel we are doing a better job in these areas.

The final stage of Vision ORS, Stage 3, is now in the works. Stage 3 will significantly improve our processes and streamline our business. One benefit Stage 3 will bring is web-based self-service for our customers. We expect this to be available near the end of the year. We know that not everyone wants to use the Internet to interact with us, so we will continue to be available by phone or mail, or in person if you want to drop by our office.

We look forward to the completion of our Vision project and are excited by the changes. Remember, if you see a survey in your mailbox, take time to fill it out and send it back to us. Or, if you have already participated in one of our surveys, thanks! Knowing your needs is important in shaping our goals as an organization.



Chris DeRose
Director

Electronic funds transfer encouraged

Do you still spend time every month at the bank teller's window or in line at the drive-through to deposit your pension check? If so, you may want to consider signing up for Electronic Funds Transfer, or EFT.

An EFT electronically transmits your pension directly into your checking or savings account at your financial institution. With EFT your pension is deposited automatically around the 25th of each month, and slightly earlier in December.

Here are some of the many benefits of using EFT:

- You reduce the risk of your pension check being lost or stolen.
- Your pension is deposited for you even if you are traveling, on vacation, or sick.

- You are less likely to have a problem with an EFT, and if you do have a problem it is easier and quicker to remedy than if you have a check.
- You receive your pension in a more timely manner.
- You still receive periodic EFT statements in the mail throughout the year.
- EFTs are administratively less expensive for the system.

To enroll in EFT to have your pension deposited directly, you can call us at (800) 381-5111 and request an application form to be faxed or mailed to you. Or, you can download a copy of the form at our web site, www.michigan.gov/ors. The form is located under the Publications and Forms link for your retirement system. The form is titled *Electronic Funds Transfer (Direct Deposit) Application (R277X)*.

Connections is published semiannually for retirees served by Michigan's Office of Retirement Services, Department of Management and Budget.

Director: Chris DeRose

Office of Retirement Services
P.O. Box 30171, Lansing, MI 48909-7671
Phone: (800) 381-5111; In Lansing 322-5103
E-mail: ORSCustomerService@michigan.gov
Web site: www.michigan.gov/ors

Printed by Authority of 1984 P.A. 431
Number printed: 50,000
Total cost: \$1,610.50
Cost per copy: \$0.03

Granholt joins ranks of other notable Michigan women

On January 1, 2003, Jennifer Granholt took the oath of office as Michigan's 47th—and first female—governor. In this position, Governor Granholt serves as a distinguished role model to young women everywhere, just as many other prominent Michigan women have in the past.

Who are some of these women? The Michigan Women's Historical Center and Hall of Fame, located in Lansing, Michigan, has researched the lives, achievements, and history of Michigan women, and currently exhibits information on over 125 distinguished women. These include Rosa Parks, Helen Milliken, Betty Ford, Lily Tomlin, Dorothy Comstock Riley, Mother Waddles, Sippie Wallace, and Jean "The Queen" Steinberg, to name a few.

The following brief biographies, courtesy of the Michigan Women's Historical Center, highlight a few other Michigan women who have held prominent positions in government over the years.

Virginia R. Allan (1916-1999) of Wyandotte was an educator, businesswoman, civic leader, and stateswoman. She was Deputy Assistant Secretary of State, U.S. delegate to all three U.N. World Conferences, and president of the Michigan and National Federation of Business and Professional Women's Clubs, Inc.

Cora Reynolds Anderson (1882-1950) was the first woman elected to the Michigan House of Representatives, serving one term, from 1925-1926. She is also believed to be the only Native American woman elected to the Michigan House or Senate, and remains the only woman ever elected to the State Legislature from the Upper Peninsula.

Connie Binsfeld, as Michigan's former lieutenant governor from 1991-1998, was a leading advocate on behalf of children, family life and women, as well as the natural environment. She introduced the state's first domestic violence legislation in 1978. She was the key figure in rewriting the state's juvenile code and introduced the nation's first bill successfully banning commercial surrogacy.

Patricia J. Boyle of Detroit relinquished lifetime tenure on the federal bench to accept appointment to the state Supreme Court in 1983. She was then elected in 1984. As a member of the Michigan Women's Task Force on Rape, she helped to draft Michigan's law on criminal sexual conduct, the most successful rape law reform in the nation.



Jennifer Granholt,
Michigan's 47th
Governor

Cora Mae Brown (1914-1972) of Detroit became the first black female state senator in this state's history when she was elected to the Michigan Senate in 1952. In April of 1953, Brown became the first black woman president of the Senate.

Mary S. Coleman (1914-2001) of Battle Creek was a former Chief Justice of the Michigan Supreme Court. In 1972, she became the first woman to be elected to that court.

If you would like to learn more about other notable Michigan women, you can tour the Michigan Women's Historical Center and Hall of Fame at 213 W. Main Street in Lansing, or visit its web site at www.MichiganWomensHallOfFame.org. The center, the first historical center in the nation to focus on the achievements of the women of a single state, was founded in 1973. The Michigan Women's Studies Association created it to give visibility to the achievements of Michigan women and improve what is thought and taught about women in Michigan schools and universities.

You may have noticed...

This issue of *Connections* looks a little different. We here at ORS strive to be good stewards of the resources available to us. Part of being a good steward involves figuring out ways to provide the same level of service to you, our customers, while trimming costs. Printing this issue of *Connections* in one-color instead of our normal two-color (black and purple) allows us to tighten our belt while still communicating effectively. We hope you will find *Connections* equally enjoyable.



Pensions Issued

March 25	June 25	September 25
April 25	July 25	October 24
May 23	August 25	November 25

If your EFT is not credited within three days of the above date, please call ORS. If your check is delayed, we can reissue it after the seventh of the following month.

Holidays – Retirement Offices Closed

May 26 – Memorial Day
July 4 – Fourth of July
September 1 – Labor Day

State Employees' Retirement System

Assets & Liabilities

	FY 2002	FY 2001
Assets:		
Cash	\$ 20,223,518	\$ 44,800,309
Receivables	97,780,461	50,134,684
Collateral on Loaned Securities	366,352,026	408,715,028
Investments	8,266,686,099	9,589,622,145
Total Assets:	8,751,042,104	10,093,272,166
Liabilities:		
Accounts Payable and Other Liabilities	13,163,764	45,013,237
Obligations Under Securities Lending	366,352,026	408,715,028
Total Liabilities:	379,515,790	453,728,265
Net Assets:	<u>\$ 8,371,526,314</u>	<u>\$ 9,639,543,901</u>

Revenues & Expenditures

	FY 2002	FY 2001
Revenues:		
Public and Member Contributions	\$ 524,776,292	\$ 371,062,246
Net Investment Income	(1,003,890,517)	(1,263,117,660)
Total Revenues:	(479,114,225)	(892,055,414)
Expenditures:		
Benefit Payments	503,453,879	478,525,328
Health, Dental, and Vision Benefits	278,998,333	248,246,380
Transfers and Refunds	18,331	91,699
Admin. Expenses	6,432,819	4,149,284
Total Expenditures:	788,903,362	731,012,691
Beginning of Year Net Assets:	9,639,543,901	11,262,612,006
End of Year Net Assets:	<u>\$ 8,371,526,314</u>	<u>\$ 9,639,543,901</u>

Investments & Earnings

	Market Value*	Percent of Total Market Value	Net Investment Income
Fixed Income	\$ 2,009,533,466	24.2%	\$ 152,220,868
Common Stock	3,412,414,158	41.2	(830,111,362)
Real Estate	869,008,086	10.5	69,865,338
Alternative	1,219,655,746	14.7	(274,821,642)
International Equities	619,221,734	7.5	(113,524,063)
Short-Term Investments**	157,076,427	1.9	8,570,606
Securities Lending Net Income			9,531,880
Investment Expenses			(25,622,142)
Total	<u>\$ 8,286,909,617</u>	<u>100.00%</u>	<u>\$ (1,003,890,517)</u>

* Short-Term Investments are at cost, which approximates market.

** Excludes the amounts payable and receivable for sales and purchases of securities with a settlement date after September 30, 2002. Amount also excludes \$366,352,026 in cash collateral for security lending for fiscal year 2002.

Note: For a copy of the complete 2002 Comprehensive Annual Financial Report from which this summary was derived, call the Office of Retirement Services at (800) 381-5111, or download a copy from our web site at www.michigan.gov/ors.